

DEPARTMENT OF THE TREASURY
Office of Thrift Supervision

12 CFR Part 563

[No. 99-12]

RIN 1550-AB15

Know Your Customer

AGENCY: Office of Thrift Supervision (OTS), Treasury.

ACTION: Proposed Rule; withdrawal.

SUMMARY: The Office of Thrift Supervision (“OTS”) published a Notice of Proposed Rulemaking in the Federal Register on December 7, 1998 that would have required savings associations to develop and maintain “Know Your Customer” programs. The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency contemporaneously published similar proposals. Collectively, the banking agencies received over 200,000 comments from the public, the overwhelming majority of which were strongly opposed to the adoption of the proposed regulation. After considering the issues raised by the comments, and in view of the strong opposition to the proposed regulation, OTS is withdrawing the Notice of Proposed Rulemaking.

DATE: Proposed § 563.178 is withdrawn on [INSERT DATE OF PUBLICATION IN FEDERAL REGISTER].

FOR FURTHER INFORMATION CONTACT: Larry A. Clark, Director, Trust Programs, (202) 906-5628, Gary C. Jackson, Analyst, Compliance Policy and Specialty Examinations, (202) 906-5653, Christine Harrington, Counsel (Banking and Finance), (202) 906-7957, or Karen Osterloh, Assistant Chief Counsel, (202) 906-6639, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION:

Background

On December 7, 1998, OTS published a proposed "Know Your Customer" regulation (63 FR 67536, Dec. 7, 1998). The proposed regulation was intended to provide guidance to savings associations to facilitate and ensure their compliance with existing federal reporting and recordkeeping requirements, such as those found in the Bank Secrecy Act. It was intended to help protect the integrity and reputation of the financial services industry as it combats money laundering and other illegal activities that might be occurring through financial institutions.

OTS received approximately 5,000 comments on the proposal. Comments came from individuals, depository institutions of all sizes, members of Congress, trade and industry research groups, and regulatory bodies. Very few commenters supported the proposed regulation.

The overwhelming majority of commenters were private citizens who strongly

opposed the proposal as an invasion of personal privacy. Depository institutions, their holding companies, and industry trade groups commenting on the proposal also opposed the proposed regulation, arguing that the regulation would be very costly to implement, especially for small institutions; would invade customer privacy; and would unfairly disadvantage depository institutions if all segments of the financial services industry were not covered.

Withdrawal of the Proposed Rule

The OTS is sensitive both to the concerns raised by the commenters and to the need for a supervisory framework that ensures that the institutions we regulate adhere to the nation's anti-money laundering statutes, including the Bank Secrecy Act. OTS has carefully reviewed the comments received. After considering the concerns raised, we are convinced the proposed regulation does not strike the appropriate balance. Based upon that review, OTS withdraws its proposal published in the Federal Register on December 7, 1998, at 63 FR 67536.

DATED: March 22, 1999

By the Office of Thrift Supervision



Ellen Seidman
Director